GOLDEN DRAGON GROUP (HOLDINGS) LIMITED

金龍集團(控股)有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 329)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board of directors (the "Directors") of Golden Dragon Group (Holdings) Limited (the "Company") (the "Board") is pleased to announce that the unaudited condensed consolidated income statement of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007, together with the comparative figures over the corresponding period last year are set out below:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		Six months ended	
		30.6.2007	30.6.2006
	NOTES	**HK$'000**	HK$'000
		(unaudited)	(unaudited)
			(restated)
Revenue		**134,214**	240,587
Cost of sales		**(40,274)**	(67,276)
Gross profit		**93,940**	173,311
Other income		**808**	278
Distribution and selling expenses		**(44,165)**	(72,119)
Administrative expenses		**(25,441)**	(23,438)
Finance costs		**(3,009)**	(2,788)
Profit before tax		**22,133**	75,244
Income tax expense	*5*	**(2,869)**	(1,835)
Profit for the period	*6*	**19,264**	73,409

	NOTES	Six months ended 30.6.2007 HK$'000 (unaudited)	30.6.2006 HK$'000 (unaudited) (restated)
Attributable to:			
Equity holders of the parent		**11,141**	44,412
Minority interests		**8,123**	28,997
		19,264	73,409
Dividends recognised as distribution	*7*	**–**	25,000
Earnings per share	*8*		
– Basic		**HK0.79 cents**	HK3.44 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

	30.6.2007 HK$'000 (unaudited)	31.12.2006 HK$'000 (unaudited) (restated)
Non-current assets		
Property, plant and equipment	**59,337**	58,205
Goodwill	**3,935**	3,934
Available-for-sale investments	**–**	–
Intangible assets	**3,375**	3,968
Prepaid lease payments	**25,737**	24,950
	92,384	91,057
Current assets		
Inventories	**221,335**	235,958
Trade receivables	**144,606**	122,308
Deposits and other receivables	**61,741**	78,533
Prepaid lease payments	**550**	527
Bank balances and cash	**112,716**	76,222
	540,948	513,548
Current liabilities		
Trade payables	**18,825**	25,811
Accruals and other payables	**98,755**	76,620
Borrowings	**45,584**	61,392
Taxation payable	**2,602**	1,262
Liability component of Convertible Notes	**6,277**	–
	172,043	165,085
Net current assets	**368,905**	348,463
Total assets less current liabilities	**461,289**	439,520
Non-current liabilities		
Borrowings due after one year	**36,303**	38,218
Liability component of Convertible Notes	**13,219**	–
	49,522	38,218
	411,767	401,302
Capital and reserves		
Share capital	**125,030**	70,080
Reserves	**286,737**	293,454
Equity attributable to equity holders of the parent	**411,767**	363,534
Minority interests	**–**	37,768
	411,767	401,302

1. GENERAL INFORMATION

Golden Dragon Group (Holdings) Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. Its subsidiaries are principally engaged in production and sales of a series of health care products, pharmaceutical products and RUYAN atomizing cigarettes.

Pursuant to the sale and purchase agreement dated 13 February 2007, supplemental agreement dated 30 March 2007 and second supplementary agreement dated 3 May 2007, Wealthy Well Investments Limited ("Wealthy Well"), a wholly-owned subsidiary of the Company, agreed, by the issue of convertible notes (the "Convertible Notes"), to acquire from Ability Act Investments Limited ("AAI") the entire issued shares of SBT Investment (Holdings) Limited ("SBT", previously known as Best Partners Worldwide Limited) at a total consideration with fair value of HK$1,062,676,000 (the "Acquisition").

Mr. Wong Yin Sen and Mr. Hon Lik were interested in 52.11% and 47.89% of the issued share capital of Dragon Concept Investments Limited ("Dragon Concept"), which held 60.5% of the issued share capital of AAI.

The Acquisition constituted a very substantial acquisition pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), details of which were set out in the circular dated 21 May 2007 (the "Circular") issued by the Company. The Acquisition was completed on 14 June 2007.

SBT is a company incorporated in the British Virgin Islands as an exempted company with limited liability on 1 July 2003. SBT and its subsidiaries (hereinafter collectively referred to as the "SBT Group") mainly engage in the business of research and development, production and sales of RUYAN atomizing cigarettes.

2. BASIS OF PREPARATION

Immediately before the Acquisition, Mr. Wong Yin Sen and Mr. Hon Lik were interested in 46.25% and 42.50%, respectively, of the issued share capital of Absolute Target Limited ("Absolute Target"), the immediate holding company which held 388,000,000 shares, representing approximately 55.36% of the issued share capital of the Company.

Upon the completion of the Acquisition and the full conversion of the Convertible Notes, Absolute Target and AAI will be interested in 27.55% and 50.24% of the issue share capital of the Company respectively.

Since the Company and SBT were both collectively controlled by Mr. Wong Yin Sen and Mr. Hon Lik before and after the completion of the Acquisition, the Acquisition was accounted for as a combination of entities under common control.

The Company has accounted for the Acquisition in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") to prepare the condensed consolidated financial statements, assuming that the current group structure had been in existence throughout the periods presented.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

The condensed consolidated financial statements is presented in Hong Kong dollars, and the functional currency of the Company is in Renminbi. As the Company is listed in Hong Kong, the directors consider that it is appropriate to present the interim financial information in Hong Kong dollars.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statement for the year ended 31 December 2006 except as described below.

Merger accounting for business combination under common control

The consolidated financial statements incorporate the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2007.

The adoption of these new HKFRSs had no material effect on the results on financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 March 2007.
3 Effective for annual periods beginning on or after 1 January 2008.
4 Effective for annual periods beginning on or after 1 July 2008.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

4. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into three operating businesses-production and sales of health care products and pharmaceutical products and RUYAN atomizing cigarettes. These businesses are the basis on which the Group reports its primary segment information.

Segment information for the six months ended 30 June 2007 and 2006 about these businesses is presented below.

	Health care products		Pharmaceutical products		RUYAN atomizing cigarettes		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment turnover	**39,807**	34,802	**19,669**	16,272	**74,738**	189,513	**134,214**	240,587
Segment result	**3,033**	2,496	**6,262**	2,122	**32,100**	83,870	**41,395**	88,488
Unallocated other income							**808**	278
Unallocated corporate expenses							**(17,061)**	(10,734)
Finance costs							**(3,009)**	(2,788)
Profit before tax							**22,133**	75,244
Income tax expense							**(2,869)**	(1,835)
Profit for the period							**19,264**	73,409

5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2007	30.6.2006
	HK$'000	HK$'000
Income Tax in the People's Republic of China (the "PRC")	**2,869**	1,835

No Hong Kong Profits Tax is payable by the Company or its subsidiaries operating in Hong Kong since they had no assessable profit for both periods.

Income Tax in the PRC has been provided at the prevailing rates on the estimated assessable profit applicable to each subsidiary in the PRC.

Pursuant to relevant tax rules and regulations in the PRC, Shenyang Jinlong Health Care Products Co., Ltd. is subjected to PRC Income Tax of 15% and local Income Tax of 3% and Shenyang Chenlong Longerity Ginseng Co., Ltd. is subjected to PRC Income Tax of 15% tax and local Income Tax of 1.5%.

Pursuant to relevant laws and regulations in the PRC, Beijing SBT Ruyan Technology & Development Co., Ltd. ("Beijing SBT") is subject to PRC income tax of 15% and entitled to an exemption from PRC income tax for the two years ended 31 December 2006, followed by a 50% tax relief for the next three years. Therefore, Beijing SBT was subject to 0% and 7.5% PRC income tax for the six months period ended 30 June 2006 and six months period ended 30 June 2007 respectively.

Pursuant to relevant tax rules and regulations in the PRC, certain other subsidiaries are entitled to an exemption from PRC income tax for the two years starting from their first profit-making year, followed by a 50% tax relief for the next three years. The reduced tax rate for the relief period is ranging from 0% to 7.5%. The charge of PRC Income Tax for the year has been provided for after taking these tax incentives into account.

Pursuant to the PRC Enterprise Income Tax Law (the "New Law") passed by the Tenth National People's Congress on 16 March 2007, the new PRC income tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. Under the New Law, entities that are currently entitled to preferential tax rates may continue to enjoy the tax benefits.

No provision for deferred taxation has been recognised in the condensed consolidated financial statements as the amount involved is insignificant.

6. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2007	30.6.2006
	HK$'000	HK$'000
		(restated)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets (included in administrative expense)	**720**	1,298
Amortisation of prepaid lease payments	**271**	32
Depreciation of property, plant and equipment	**3,838**	2,081
Interest income	**(876)**	(270)

7. DIVIDEND

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend.

For the six-months period ended 30 June 2006, the directors of SBT declared and approved dividend of RMB25,000,000 to shareholders of SBT on 20 April 2006.

8. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated based on earnings attributable to equity holders of the parent during the period divided by the weighted average number of ordinary shares in issue. The weighted average number of ordinary shares have been adjusted for ordinary shares which the Convertible Notes are mandatorily convertible into.

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK$'000	HK$'000
Profit attributable to equity holders of the parent	**11,141**	44,412
Weighted average number of ordinary shares in issue ('000)	**1,408,360**	1,291,560
Basic earnings per share (HK cents per share)	**0.79**	3.44

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Market Conditions

The following is the six-month business review ended 30 June 2007 (the "period under review") presented by the Board.

During the period under review, the Group recorded an unaudited consolidated turnover of approximately HK$134,214,000, representing a decrease of approximately 44.21% when compared with approximately HK$240,587,000 in the corresponding period in 2006. The unaudited consolidated profits attributable to shareholders was approximately HK$11,141,000 in the period under review, representing a decrease of approximately HK$33,271,000 when compared with that of the corresponding period in 2006. On these bases, the earnings per share for the period under review was approximately HK0.79 cents (corresponding period in 2006: approximately HK3.44 cents).

As a result of the direct sales channels on TV in Guangdong and Henan launched from the end of last year in addition to the traditional sales mode carried out by the Company and the introduction of three new packaging specifications, being the 6-year, 8-year and 10-year small package products of 10 gram, the sales of health care products have turned the declining sales trend and realized a sales of HK$39,807,000, representing an increase of approximately 14.38% from the corresponding period in last year.

With the marketing and investment in pharmaceutical products over the past few years, the sales of the same have been on the uprise and have realized a sales of HK$19,669,000, slightly increase from the last year.

For the period under review, the Group achieved sales income of approximately HK$134,214,000, a decrease of approximately 44.21% from the corresponding period in 2006. Of which, the sales income of health care products, pharmaceutical products and Ruyan atomizing cigarettes was approximately HK$39,807,000, HK$19,669,000 and HK$74,738,000 respectively.

New Product Development

In 2006, the Group completed the development and application of a total of 15 new pharmaceutical products. In the first half of 2007, the review and approval procedures for ten pharmaceutical products have already been passed, while "Hai Te Ling" (咳特靈) which has completed the review and approval procedures and obtained the production approval and has commenced production in the first half of the year. As the function departments of the PRC State Food and Drug Administration have undergone realignment, the granting of the production approvals for all approved pharmaceutical products has been delayed. It is expected that the approvals will be granted in 2008, which will serve as new sources of growth for the Company.

The Group has been strived to the development of Ruyan products and has changed the appearance of its existing products and enhanced the added-value of its products to satisfy the needs of different consumers.

Regional Development

The sales of the electronic cigarettes products declined as a result of the unfair publicity from the PRC media. Therefore, the Company is increasing its efforts to expand into overseas markets, which currently include countries such as Austria and Turkey. The exports have been steadily growing since February of the year. We have been in discussion with agencies of almost ten countries for the cooperation. It is expected that the exports growth will be substantially increased in future.

Liquidity and Financial Analysis

As at 30 June 2007, bank loans of the Group amounted to HK$41,237,000, representing a decrease of HK$4,588,000 as compared to the total outstanding loans at 31 December 2006, all of which were short-term loans due within one year and partial in Renminbi loans. Although Renminbi is under the pressure of potential revaluation, movements of Renminbi were comparatively stable and the Directors do not anticipate to face any major currency exposures, therefore the Group has not arranged any currency hedge. The Group's aggregate finance cost was approximately HK$3,009,000 (corresponding period in 2006: HK$2,788,000). Other borrowings in the sum of HK$28,690,000 (2006: HK$29,923,000) are secured by legal charges over the certain of building and leasehold land of the Group.

Gearing ratio of the Group decreased from approximately 27.40% at 31 December 2006 to approximately 19.89% at 30 June 2007. This calculation is based on net borrowings of approximately HK$81,887,000 (31 December 2006: HK$99,610,000) and shareholders fund of approximately HK$411,767,000 (31 December 2006: HK$363,534,000).

As at 30 June 2007, the balance of the inventories amounted to HK$221,335,000, representing a decrease of HK$14,623,000 when compared with the balance of that as at 31 December 2006.

Details of Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 13 February 2007, a sale and purchase agreement was entered into between AAI, the shareholding of which is owned as to 60.50% by Dragon Concept and Wealthy Well, a wholly owned subsidiary of the Company, for the acquisition of the entire issued share capital of Best Partners Worldwide Limited (currently known as SBT) for a consideration of RMB1,273,608,000 (the "Acquisition") and settled by the issue of a convertible note convertible into shares of the Company (the "Shares") at the conversion price of HK$1.80 per Share (subject to adjustment). The completion of the Acquisition took place on 14 June 2007. Details of the Acquisition are set out in the announcement of the Company dated 19 March 2007, 3 April 2007, 3 May 2007, 18 May 2007 and 18 June 2007 and the circular of the Company dated 21 May 2007.

Significant Investments Held

As stated above, the Company has acquired the entire operation of Ruyan Electronic Cigarette during the six months ended 30 June 2007, Ruyan Electronic Cigarette has generated HK$11,687,000, HK$135,597,000 and HK$286,097,000 sales turnover in the financial year ended 31 December 2004, 2005 and 2006.

Charge Of Assets

As at 30 June 2007, the Group had no bank deposits pledged to banks (2006: Nil).

Contingent Liabilities

As at 30 June 2007, the Group did not provide any form of guarantees for any outside companies and was not liable to any material legal proceedings of which provision for contingent liabilities was required.

Short and Long Term Business Prospects and Development Plans

The Company has been expanding into the domestic markets of electronic cigarettes which have not been developed, such as the cities in Shanghai Municipality, Henan province and Shandong province. The Company will establish branch office in Shanghai, an outsize market in the PRC, in which two of our mangers with substantial experiences in marketing will be responsible for the operation. Furthermore, the Group will commence the "Smokeless Olympics" activities by leveraging on the opportunities brought by the Olympic Game with a view to making all guests, both domestic and international, to know more about "Ruyan" (如烟) through appropriate promotion. It is believed that the above measures will result in enormous growth of the sales of "Ruyan" products which will bring further solid growth to the Group.

Meanwhile, the Company will strive to maintain a balanced development and market share in the business of health care products and pharmaceutical products so that the Group will be able to capture larger market share and rooms for development soon after the current recession of the health care products market has been passed.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period under review, the Company had not redeemed any of its securities. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the period under review.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules during the period under review, with the following exception as having been elaborated in our 2006 Annual Report:

Under code provision A.4.1 of the Code, non-executive directors should be appointed for specific term and subject to re-election. The non-executive Directors are not appointed for a specific term of office. However, the non-executive Directors are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The audit committee of the Board (comprising three independent non-executive Directors) and the management of the Company have reviewed the accounting principles and practices adopted by the Group and have discussed the matters related to auditing, financial reporting procedures and internal control, including the review of the interim financial report during the period under review.

The interim financial report during the period under review has been reviewed by the audit committee of the Board and the management of the Company as well as Messrs. Deloitte Touche Tohmatsu, the auditors of the Company, in accordance with the Statements of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA.

On behalf of the Board
Golden Dragon Group (Holdings) Limited
Wong Yin Sen
Chairman

Hong Kong, 24 September 2007

As at the date of this announcement, the executive Directors are Mr. Wong Yin Sen, Mr. Hon Lik, Mr. Wong Hei Lin, Mr. Li Kim Hung, Isaacs; and the independent non-executive Directors are Mr. Pang Hong, Mr. Cheung Kwan Hung, Anthony and Mr. Ding Xun.